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Report Name: Oilseeds and Products Update

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Report Highlights:

For 2023/24, Post forecasts soybean planted area at 45.2 million hectares (ha), and production at 159 million metric tons (MMT), based on a yield of 3.52 mt per ha. Post revised up the 2022/23 planted area estimate by 300,000 ha to 43.8 million ha, and the production estimate by 2.5 MMT, to 155 MMT. Despite problematic weather conditions in Rio Grande do Sul, the soybean crop produced record yields in Mato Grosso. Soybean exports in 2022/23 are forecasted up 96 MMT, a significant increase on this season's estimated shipments of 77 MMT, on greater supplies. Post forecasts a record 53.3 MMT of soybeans destined for processing in the 2023/24 MY. There is strong demand for Brazilian soybean products, especially oil.

SOYBEAN PRODUCTION

2023/24 Planted Area Forecast Maintained, with Concerns over Soybean Prices

Post maintained its 2023/24 forecast for soybean planted area at 45.2 million hectares (ha). Next season's forecast planted area represents an annual increase of 1.4 million ha, below the five-year seasonal growth rate of 1.75 million ha. Forecast planted area expansion is based on several factors, including the expectation of robust global demand for soybeans, sowing of degraded pasture, a favorable exchange rate, high commodity prices, and ongoing improvements in infrastructure and logistics. (For expanded discussion see [2023 Annual Oilseeds and Products GAIN](#)).

Expansion in planted area will be closely watched between now and planting as farmers monitor the prices of soybeans. Soybean prices have fallen to a several years low throughout Brazil based off available supplies from the 2022/23 record harvest. According to the Mato Grosso Agriculture Institute (IMEA), prices have fallen past the breakeven point and no longer cover the total productive costs. The falling prices of soybeans are overshadowing the consistent decline in production costs. This decrease in soybean price could impact the new crop acreage for the 2023/24 season. It may also impact farmers investments in technologies and inputs such as fertilizers, which could further impact yields.

Soybeans are grown in 19 of Brazil's 26 states, as well as in the capital Federal District. Increased expansion of planted area is likely in the frontier regions in the North and Northeast, while the well-developed Center West should expand in line with average growth. In the southern producing states of Parana and Rio Grande do Sul, most of the productive area is already utilized in crop production, and therefore, the expansion will be minimal in this region.

The large Center West state of Mato Grosso is by far the biggest producer accounting for just under a third of the country's soybean planted area and production volume. IMEA forecasts planted area at 12.22 million ha next season, up one percent on the current marketing year (MY). This is lower than in previous seasons due to the decrease in prices of soybeans and grains.

Overall, over the last decade Brazil's soybean yields have increased significantly, by more than one third, as Brazilian farmers invested heavily in the adoption of cutting-edge technology and inputs, such as Genetically Engineered (GE) seeds and the use of chemicals and fertilizers. This investment in technology has alleviated some of the variability brought by climatic conditions around the country. Post believes that the key reasons for steady yields are adoption and investment in inputs, such as GE seeds and the use of chemicals and fertilizers. At the same time, gains in yields in just the past couple of years have increased less than the 10-year average as technology gains have slowed.

Production Estimate Revised Up for 2022/23

Nationwide, the 2022/23 harvest was completed in June, with the last beans picked in the Northeast and the South of the country. Post revised up 2022/23 planted area by 300,000 ha to 43.8 million ha. Post revised up the production estimate by 2.5 MMT, to 155 MMT, due to better-than-expected performance in Mato Grosso off setting poor weather in Rio Grande do Sul.

Much of the estimated increase in production came from the powerhouse Center West region of Brazil, which includes Mato Grosso, Mato Grosso do Sul and Goais. In Mato Grosso, the largest soybean growing state, area has been expanding with the conversion of pastures for agriculture, mainly in the north and northwest regions of the state. Mato Gross experienced record yields in 2022/23, up to 62.3 sacs per hectare.

In the South and Northeast regions, estimates were also revised up. During the 2022/23 growing season, Rio Grande do Sul suffered a severe drought, with soybean yields at just half compared to other parts of the country. In Rio Grande do Sul, crops harvested at the end of the season had better yields than anticipated, taking production to 14.5 million tons, according to Conab.

SOYBEAN TRADE

2023/24 Soybean Export Forecast Revised Upward

Soybean exports in the 2023/24 (February 2024 to January 2025) marketing year (MY) have been revised upward to a forecast of 99.1 MMT. The forecast is based on available supplies, a favorable exchange rate, and continued robust global demand. Although the Brazilian Real gained some strength in the beginning of 2022 on the back of stronger than expected economic performance, Brazil's Central Bank projects the domestic currency to trade at around or above Real \$5 to the U.S. dollar into 2024. In addition, Post, along with many Brazilian market analysts, believes that global demand for soybeans will continue to grow as countries recover from the coronavirus pandemic.

The Brazilian agricultural Gross Domestic Product (GDP) recorded an increase of 21.6 percent in the first quarter of 2023 compared to the last quarter of 2022, pointed out the Brazilian Institute of Geography and Statistics (IBGE). This high performance of the agricultural GDP contributed approximately 1.7 percentage points to the 1.9 percent increase in the overall Brazilian GDP in the first quarter of 2023 compared to the fourth quarter of 2022. Agricultural GDP, which accounts for around 8 percent of total GDP, was boosted by a record harvest of grains, especially soybeans and corn. The GDP in the first quarter of 2023 totaled R\$ 2.6 trillion.

The Organization for Economic Cooperation and Development (OECD) has raised its projections for growth in Brazil's Gross Domestic Product (GDP) in 2023 and 2024, following a substantial boost in agricultural production in the first quarter of this year. The organization raised the projection for growth of the Brazilian GDP from 1.0 percent to 1.7 percent in 2023 and from 1.1 percent to 1.2 percent in 2024. However, the tendency is for moderation in the pace of GDP expansion, as restrictive interest rates and weak credit growth constrain domestic demand.

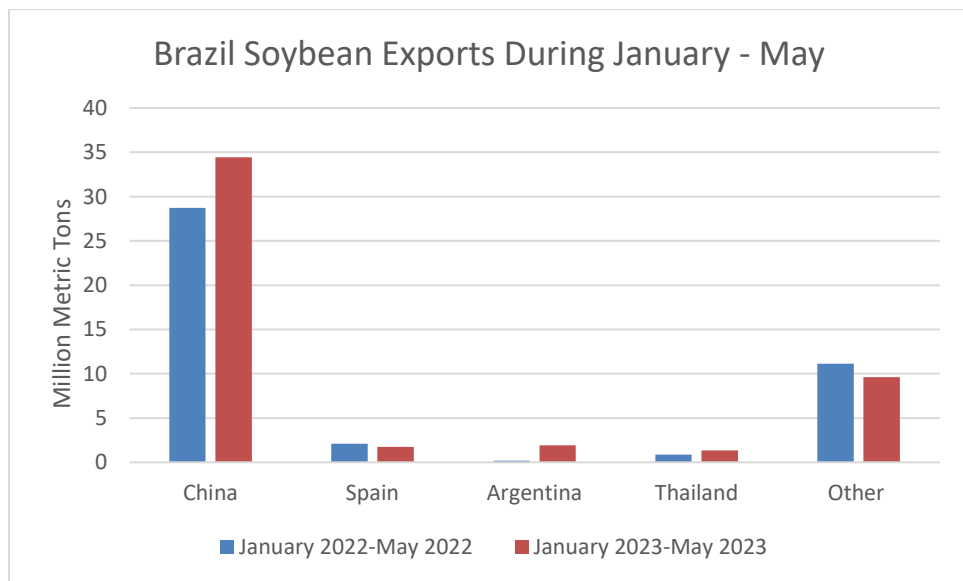
2022/23 Soybean Exports Higher than Previous Year

Post increased the 2022/23 (February 2023 to January 2024) MY exports up 1 MMT to 96 MMT, a new record. As is the case with the forecast for the next season, the trade estimate for the current MY is based on expectations of available supplies and an extremely favorable exchange rate.

The start of 2023 has been strong for soybean exports, exporting more than the same period of the previous year. From January 2023 to May 2023, Brazil exported 49 MMT compared to the same period in 2022 exporting 43 MMT. Notably as highlighted in the chart below, Brazil has increased exports of soybeans to Argentina. This is unusual as Argentina doesn't typically import soybeans from Brazil but due to the extreme drought and soybean production in Argentina and the low price of soybeans in Brazil, exports have increased. From January 2023 to May 2023, Brazil exported 168,654 tons of soybeans to Argentina compared to the same period in 2022 exporting 1.92 MMT.

Figure 1

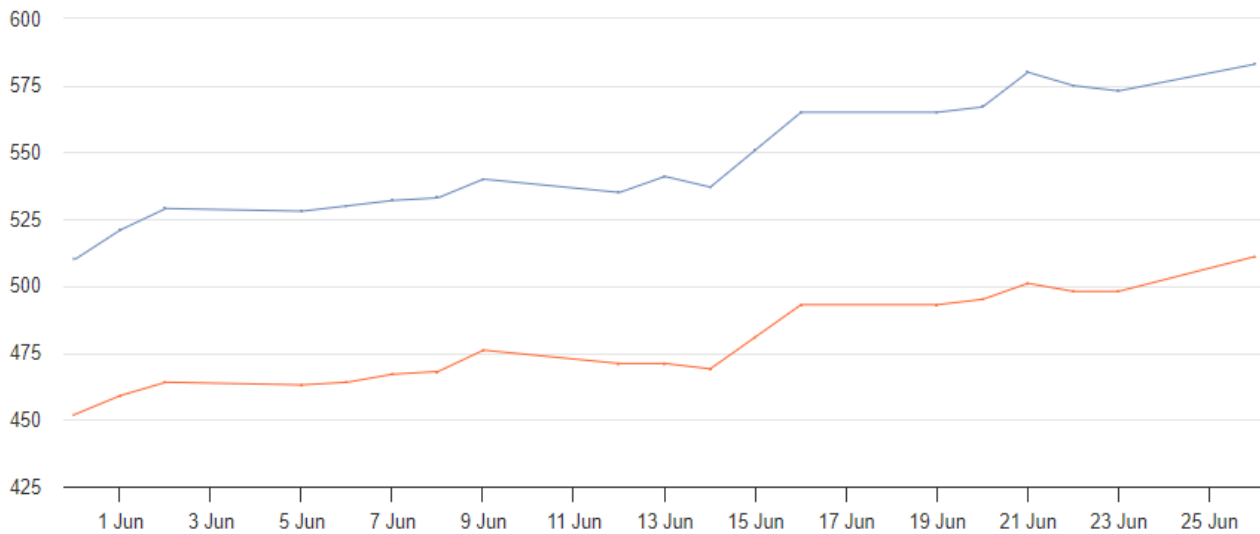
Brazil Soybean Exports During January – May



China has long been the main buyer of Brazilian soybeans and demand has increased in 2023. From January 2023 to May 2023, Brazil exported 34.4 MMT of soybeans to China compared to the same period in 2022 exporting 28.7 MMT.

Figure 2

Soybean Prices: United States and Brazil



U.S. Prices (Gulf): blue line

Brazil Prices (Paranagua): orange line

Source: International Grains Council

Imports Decreased for 2022/23

Post revises down the 2022/23 estimate for Brazil's soybean imports from 400,000 MT to 200,000 MT. This is based on record production in Brazil and less production in Argentina. Brazil has ample soybean stock to supply the domestic crush volumes. For the 2023/24 season, Post forecasts soybean imports at 400,000 MT. The forecast considers higher production for the following season.

Soybean imports will continue to come in mostly from Paraguay. Due to logistical and regulatory challenges, the Brazilian soybean industry will continue to source soybean products mostly from their neighboring countries.

DOMESTIC CONSUMPTION & PROCESSED PRODUCTS

Soybean Crush Forecast Up to Record for 2022/23

Post revises up the 2022/23 crushed volume by 300,000 tons to 53.3 million tons. The forecast expansion is above the five-year average growth rate. The expansion is forecast based on the available soybean supply and rising demand for both soy oil and soymeal domestically, as well as soy oil and meal export demand which will be supported by the continued relative weakness of the Brazilian real. Brazil increased the biodiesel blend rate to 12 percent effective April 1st, 2023 and also stated it will increase to 13 percent in April 2024

Soybean Crush Maintained for 2023/24

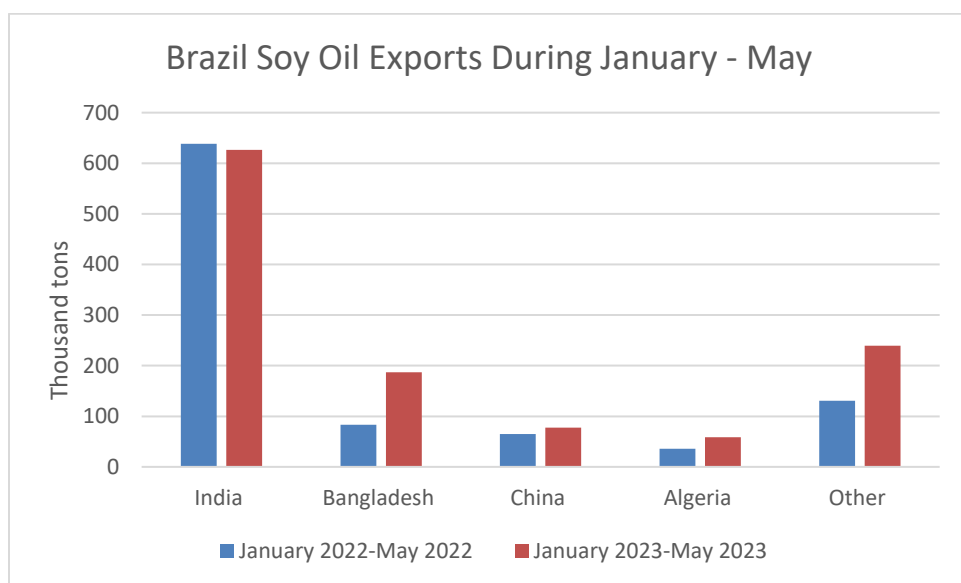
Post maintained the estimate for the 2023/24 soybean crush of 55.8 MMT, based on more favorable conditions and increased demand for soybean products from the international market.

Post maintains the forecast for 2023/24 soybean meal production at 41.6 MMT, up from the estimated 41 MMT in 2022/23. Domestic soymeal consumption is forecast to increase to 20.7 MMT in the next season, up from 20.4 MMT in 2022/23. Post anticipates domestic meal demand will grow in line with a recent increase in beef and pork annual production of between two and three percent. Post forecasts soybean meal exports to increase to 20.5 MMT in 2023/24, up from 20.3 MMT in 2022/23, based on available supply and demand for the Brazilian product, and supported by the favorable exchange rate.

For 2023/24, Post forecasts soy oil production at 11 MMT, up from 1.04 MMT in the current season. In the same timeframe, domestic oil consumption is expected to rise to 8.7 MMT, up from 8.2 MMT. The increase will be driven by industrial oil consumption, which is projected to rise to 4.75 MMT.

Figure 3

Brazil Soy Oil Exports During January - May



Brazil's exports of soybean oil have started off strong during this year. From January 2023 to May 2023, Brazil exported 1.18 MMT of soybean oil compared to the same period in 2022 exporting 953,205 tons. The demand for soybean oil has been increasing globally, primarily for the use in biofuels. Brazil has seized the opportunity to increase exports of soybean oil due to Argentina's lack of production caused by the severe drought.

Brazil's exports of soybean meal have also been off to a strong start in 2023. From January 2023 to May 2023, Brazil exported 8.84 MMT of soybean oil compared to the same period in 2022 exporting 8.01

MMT. This can also be attributed to the limited soybean supply Argentina is facing due to the severe drought. Soybean meal exports are expected to remain strong this year due to favorable supplies.

Figure 4
Brazil Soy Meal Exports During January – May

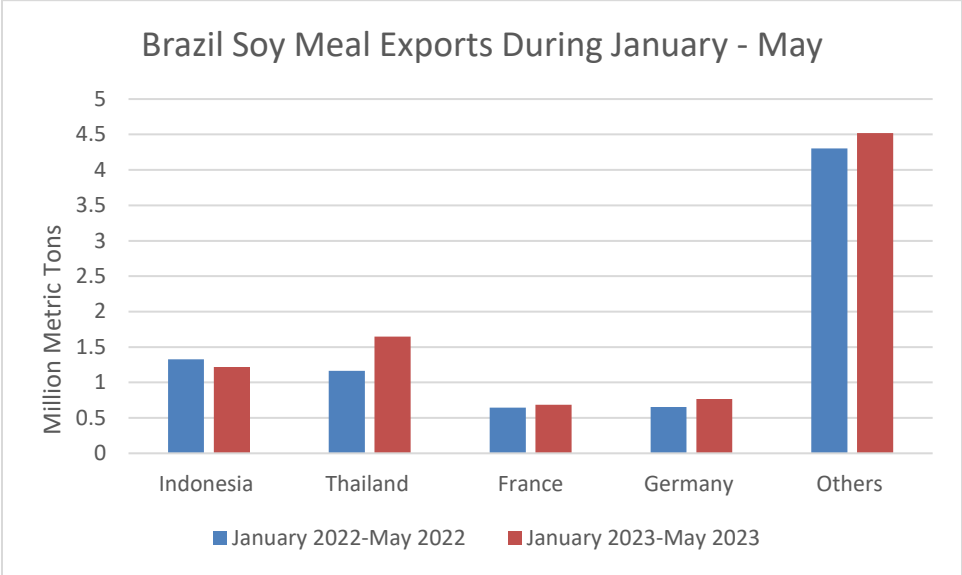


Chart 1

Production, Supply and Distribution of Soybeans in Brazil

Oilseed, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Feb 2022		Feb 2023		Feb 2023	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted (1000 HA)	41500	40900	43900	43800	45600	45200
Area Harvested (1000 HA)	41500	40900	43900	43800	45600	45200
Beginning Stocks (1000 MT)	2426	2426	1829	1300	3229	3600
Production (1000 MT)	130500	127040	156000	155000	163000	159000
MY Imports (1000 MT)	416	419	200	200	450	400
Total Supply (1000 MT)	133342	129885	158029	156500	166679	163000
MY Exports (1000 MT)	77118	77000	97000	96000	100500	99100
Crush (1000 MT)	51150	48585	54000	53300	55500	55800
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	3245	3000	3800	3600	3950	3600
Total Dom. Cons. (1000 MT)	54395	51585	57800	56900	59450	59400
Ending Stocks (1000 MT)	1829	1300	3229	3600	6729	4500
Total Distribution (1000 MT)	133342	129885	158029	156500	166679	163000
Yield (MT/HA)	3.1446	3.1061	3.5535	3.5388	3.5746	3.5177
(1000 HA) ,(1000 MT) ,(MT/HA)						

Chart 2

Production, Supply and Distribution of Soybean Oil in Brazil

Oil, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Feb 2021		Feb 2022		Feb 2023	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	51150	48585	54000	53300	55500	55800
Extr. Rate, 999.9999 (PERCENT)	0.1925	0.1997	0.1923	0.1951	0.1925	0.1971
Beginning Stocks (1000 MT)	468	468	352	90	436	100
Production (1000 MT)	9846	9700	10384	10400	10684	11000
MY Imports (1000 MT)	33	33	75	100	25	100
Total Supply (1000 MT)	10347	10201	10811	10590	11145	11200
MY Exports (1000 MT)	2645	2645	2350	2300	2050	2350
Industrial Dom. Cons. (1000 MT)	3450	3666	4050	4340	4600	4750
Food Use Dom. Cons. (1000 MT)	3900	3800	3975	3850	4050	3900
Feed Waste Dom. Cons. (1000 MT)	0	0	0	0	0	0
Total Dom. Cons. (1000 MT)	7350	7466	8025	8190	8650	8650
Ending Stocks (1000 MT)	352	90	436	100	445	200
Total Distribution (1000 MT)	10347	10201	10811	10590	11145	11200
(1000 MT) ,(PERCENT)						

Chart 3

Production, Supply and Distribution of Soybean Meal in Brazil

Meal, Soybean (Local)	2021/2022		2022/2023		2023/2024	
Market Year Begins	Feb 2021		Feb 2022		Feb 2023	
Brazil	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Crush (1000 MT)	51150	48585	54000	53300	55500	55800
Extr. Rate, 999.9999 (PERCENT)	0.7751	0.7729	0.775	0.7692	0.775	0.7455
Beginning Stocks (1000 MT)	4186	4186	3740	1854	3807	2200
Production (1000 MT)	39646	37550	41850	41000	43013	41600
MY Imports (1000 MT)	5	15	17	15	10	15
Total Supply (1000 MT)	43837	41751	45607	42869	46830	43815
MY Exports (1000 MT)	20297	20297	21600	20300	21500	20500
Industrial Dom. Cons. (1000 MT)	0	0	0	0	0	0
Food Use Dom. Cons. (1000 MT)	0	0	0	0	0	0
Feed Waste Dom. Cons. (1000 MT)	19800	19600	20200	20369	20900	20715
Total Dom. Cons. (1000 MT)	19800	19600	20200	20369	20900	20715
Ending Stocks (1000 MT)	3740	1854	3807	2200	4430	2600
Total Distribution (1000 MT)	43837	41751	45607	42869	46830	43815
(1000 MT) ,(PERCENT)						

Attachments:

No Attachments